

HOUSE BILL 2118

By McCormick

AN ACT to amend Tennessee Code Annotated, Title 67,
Chapter 2, relative to taxation of income received
from stock dividends and interest on bonds.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 67-2-102, is amended by deleting the section in its entirety and substituting instead the following:

(a) Except as otherwise provided in subsection (b) and in this chapter, an income tax in the amount of six percent (6%) per annum shall be levied and collected by the state on incomes derived by way of dividends from stocks or by way of interest on bonds of each person, partnership, association, trust, and corporation in this state who received, or to whom accrued, or to whom was credited during any year income from the sources enumerated in this subsection.

(b) For tax years that begin on or after January 1, 2017, no tax shall be imposed by the state pursuant to this chapter; provided, that this subsection shall not absolve any taxpayer of liability for any tax duly levied by the state under this chapter during a tax year that began prior to January 1, 2017.

SECTION 2. Tennessee Code Annotated, Section 67-2-103, is amended by deleting the section in its entirety and by substituting instead the following:

Subject to § 67-2-119, the tax levied by the state prior to January 1, 2017, is for state purposes only; provided, that § 67-2-119 shall remain in effect until August 1, 2017, for purposes of making distributions under that section. Except as authorized by § 67-2-124, no county or municipality shall have power to levy the tax.

SECTION 3. Tennessee Code Annotated, Title 67, Chapter 2, is amended by adding the following new section:

67-2-124.

(a) For tax years beginning on or after January 1, 2017, any municipality or county may levy for municipal or county purposes, respectively, by action of its governing body, a tax not to exceed two and one-quarter percent (2.25%) per annum upon incomes derived by way of dividends from stocks or by way of interest on bonds of each person, partnership, association, trust, and corporation residing in the municipality or county, as applicable, who received, or to whom accrued, or to whom was credited during any year income from the sources enumerated in this subsection, except as otherwise provided in this chapter.

(b)

(1) No ordinance or resolution authorizing a tax under this section shall take effect unless the ordinance or resolution is approved by:

(A) A two-thirds (2/3) vote of the municipal or county legislative body; or

(B) A majority of the number of qualified voters of the municipality or county voting in an election on the question of whether or not the tax should be levied.

(2) The ordinance or resolution shall become operative thirty (30) days after its approval by the municipal or county legislative body pursuant to subdivision (b)(1)(A). No tax shall be collected under the ordinance or resolution until the first day of a month occurring at least thirty (30) days after the operative date.

(3)

(A) If there is a petition of registered voters amounting to ten percent (10%) of the votes cast in the municipality or county in the last

gubernatorial election that is filed with the county election commission within thirty (30) days of approval of the ordinance or resolution by the municipal or county legislative body, then the county election commission shall call an election for the municipality or county, as the case may be, on the question of whether or not the tax should be levied in accordance with this section.

(B) The local governing body shall direct the county election commission to call the election to be held at the next regularly scheduled general election that occurs at least thirty (30) days after the receipt of the petition for the purpose of approving or rejecting the tax levy.

(C) If an election is held, then the tax levy shall not take effect unless it is approved by a majority of the number of qualified voters of the county or municipal government voting in the election.

(D) The ballots used in the election held pursuant to subdivision (b)(1)(B) shall have printed on them the substance of the ordinance or resolution, and the voters shall vote for or against its approval.

(E) The votes cast on the question shall be canvassed and the results proclaimed by the county election commission and certified by it to the local governing body.

(F) The qualifications of voters voting on the question shall be the same as those required for voting in a general county or municipal election, whichever is appropriate.

(G) All laws applicable to general elections shall apply to the determination of the approval or rejection of this tax levy.

(H) If the majority vote is for the tax levy, the tax levy shall be deemed to be approved on the date that the county election commission makes its official canvass of the election returns. No tax shall be collected pursuant to subdivision (b)(1)(B) until the first day of a month occurring at least thirty (30) days after the date of approval of the tax levy.

(c)

(1) The tax shall be levied on the same persons and to the same extent as the tax was levied by the state pursuant to this chapter. The tax shall be subject to the same exemptions, credits, and deductions provided in § 67-2-104 and in this chapter as were applicable to the tax levied by the state under this chapter prior to January 1, 2017.

(2)

(A) Any ordinance approved pursuant to subsection (b) shall specify the rate of the tax and require that the tax levied by the municipality be collected only from taxpayers residing within the corporate limits of the municipality.

(B) Any resolution approved pursuant to subsection (b) shall specify the rate of the tax and require that the tax levied by the county be collected only from taxpayers residing in the county, but outside the corporate limits of any municipality.

(3) The department of revenue shall collect the tax on behalf of each county or municipality levying the tax, which shall be computed, reported, and paid in the same manner as the tax was levied by the state pursuant to this chapter.

(4)

(A) Any county or municipality levying the tax approved by the county or municipal legislative body pursuant to subdivision (b)(1)(A) shall furnish a certified copy of the approved resolution or ordinance to the department of revenue within seven (7) days of its approval by the county or municipal legislative body, and shall furnish written notice to the department within seven (7) days of its operative date.

(B) Any county or municipality levying the tax approved by the voters pursuant to subdivision (b)(1)(B) shall furnish a certified copy of the petition to the department within seven (7) days of its filing with the county election commission, and provide written notice to the department within seven (7) days of approval of the tax levy.

(5) The department shall remit to the county or municipality, as applicable, all revenue from the taxes collected from the taxpayers residing within the county or municipality.

SECTION 4. This act shall take effect upon becoming a law, the public welfare requiring it.